

**CITY OF BELMOND, IOWA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2004**

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## Officials

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Name	Title	Term Expires
<b>Elected Officials (Before January, 2004)</b>		
Rex L. Peterson	Mayor	January, 2004
Harlan Tulp	Council member	January, 2006
Sidney Swenson	Council member	January, 2006
Earl Kalkwarf	Council member	January, 2006
Randy Turner	Council member	January, 2004
Sharleen Sorum	Council member	January, 2004
<b>Appointed Officials</b>		
Lee Ann Waltzing	Manager/Clerk/Treasurer	Indefinite
Gary Berkland	Attorney	Indefinite
<b>Elected Officials (After January, 2004)</b>		
Jerry A. Greenwood	Mayor	January, 2006
Harlan Tulp	Council member	January, 2006
Sidney Swenson	Council member	January, 2006
Earl Kalkwarf	Council member	January, 2006
Todd Buseman	Council member	January, 2008
Bradley Bloemke	Council member	January, 2008
<b>Appointed Officials</b>		
Lee Ann Waltzing	Manager/Clerk/Treasurer	Indefinite
Gary Berkland	Attorney	Indefinite

## Independent Auditor's Report

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To the Honorable Mayor and  
Members of the City Council  
City of Belmond, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Belmond, Iowa, as of and for the year ended June 30, 2004 which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Belmond at June 30, 2004, and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 12, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 4, 2004 on our consideration of the City of Belmond, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on Pages 4 through 9 and Page 20 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. We previously audited the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and supplemental data in accordance with the standards referred to in the second paragraph of this report and expressed unqualified opinions on those financial statements and supplemental data. Other supplemental information included on Pages 21 through 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa  
August 4, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Belmont provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further to explaining the City's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities decreased 60.6%, or approximately \$2,545,000, from fiscal 2003 to fiscal 2004. Donations decreased approximately \$619,000, bond proceeds decreased \$1,800,000 and net transfers decreased approximately \$82,000.
- Disbursements of the City's governmental activities decreased 9.5%, or approximately \$263,000, in fiscal 2004 from fiscal 2003. Public works, culture and recreation and capital projects disbursements decreased approximately \$60,000, \$50,000 and \$163,000, respectively.
- The City's total cash basis net assets decreased 30.6%, or approximately \$773,000, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$839,000 and the assets of the business-type activities increased by approximately \$67,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-Wide Financial Statement consists of a Statement of Activities and Net Assets - Cash Basis. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

- Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Other Supplementary Information provides detailed information about the non-major governmental funds.

### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with the U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this financial report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### ***Government-Wide Financial Statement***

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities". This Statement of Activities and Net Assets - Cash Basis reports information which helps answer this question.

The Statement of Activities and Net Assets - Cash Basis presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City improving or deteriorating.

The Statement of Activities and Net Assets - Cash Basis is divided into two kinds of activities.

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes and state grants finance most of these activities.
- Business-Type Activities include the water works and the sanitary sewer system. These activities are financed primarily by user charges.

### ***Fund Financial Statements***

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year end that are available for spending. The governmental funds include: a) the General fund, b) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, c) the Debt Service Fund, d) the Capital Projects Fund and e) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing from \$2,368,971 to \$1,529,920. The analysis that follows focuses on the changes in cash balances for governmental activities.

<b>Changes in Cash Basis Net Assets of Governmental Activities</b>	
	<b>Year Ended June 30, 2004</b>
<b>Receipts and Transfers:</b>	
Program Receipts:	
Charges for service	\$ 113,069
Operating grants, contributions and restricted interest	246,506
Capital grants, contributions and restricted interest	118,992
General Receipts:	
Property taxes	828,004
Local option sales taxes	166,667
Grants and contributions not restricted to specific purposes	18,586
Unrestricted investment earnings	22,195
Other general receipts	54,358
Transfers, net	88,577
<b>Total Receipts and Transfers</b>	<b><u>1,656,954</u></b>
<b>Disbursements:</b>	
Public safety	327,588
Public works	170,322
Health and social services	6,050
Culture and recreation	220,778
Community and economic development	9,354
General government	161,260
Debt service	505,221
Capital projects	1,086,378
Nonprogram	9,054
<b>Total Disbursements</b>	<b><u>2,496,005</u></b>
<b>Decrease in Cash Basis Net Assets</b>	<b>(839,051)</b>
Cash Basis Net Assets - Beginning of Year	<u>2,368,971</u>
<b>Cash Basis Net Assets - End of Year</b>	<b><u>\$ 1,529,920</u></b>



The City's total receipts for governmental activities decreased by 30.9%, or \$741,059. The total cost of all programs and services decreased approximately \$263,000, or 9.5%, with no new programs added this year. The significant decrease in receipts was primarily the result of the City having sold bonds and receiving a large amount of donations for the library project in the previous fiscal year.

The City increased property tax rates for 2004 by an average of 1.9%. This increase raised the City's property tax receipts by approximately \$16,000 in 2004. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$5,444 next year.

The cost of all governmental activities this year was \$2,496,005 compared to \$2,759,048 last year. However, as shown in the Statement of Activities and Net Assets - Cash Basis on Page 10, the amount taxpayers ultimately financed for these activities was only \$2,017,438 because some of the cost was paid by those directly benefited from the programs (\$113,069) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$365,498). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2004 from approximately \$362,000 to approximately \$479,000 principally due to making traffic code violations city charges rather than state charges. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$828,000 in taxes (some of which could only be used from certain programs) with other receipts, such as interest and general entitlements, and with cash reserves generated from bond proceeds received in the previous year.

<b>Changes in Cash Basis Net Assets of Business-Type Activities</b>	
	<b>Year Ended June 30, 2004</b>
<b>Receipts:</b>	
Program Receipts:	
Charges for Service:	
Water	\$ 271,767
Sewer	244,984
Landfill	51,118
General Receipts:	
Unrestricted investment earnings	<u>2,673</u>
<b>Total Receipts</b>	<b><u>570,542</u></b>
<b>Disbursements:</b>	
Water	194,251
Sewer	157,132
Landfill	64,067
Transfers	<u>88,577</u>
<b>Total Disbursements and Transfers</b>	<b><u>504,027</u></b>
<b>Increase in Cash Basis Net Assets</b>	<b>66,515</b>
Cash Basis Net Assets - Beginning of Year	<u>153,168</u>
<b>Cash Basis Net Assets - End of Year</b>	<b><u>\$ 219,683</u></b>

Total business-type activities receipts for the fiscal year were \$570,542 compared to \$539,919 last year. The increase was due primarily to the increases in the rates for services. The cash balance increased by approximately \$67,000 from the prior year because the City implemented new rates for services in order to establish a water plant capital fund. Total disbursements and transfers for the fiscal year decreased by 9.4% to a total of \$504,027.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Belmont completed the year, its governmental funds reported a combined fund balance of \$1,529,920, a decrease of \$839,051 from last year's total of \$2,368,971. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by \$68,094 from the prior year to \$269,279. Approximately \$50,000 of this decrease was due to losing utility replacement funds.
- The Road Use Tax Fund cash balance increased by \$33,088 to \$74,959 during the fiscal year. This increase was attributable to having paid off debt in the previous fiscal year. The City intends to use this money to make street improvements in future years.
- The Local Option Sales Tax Fund cash balance decreased by \$31,245 from the prior year due to transferring more funds out for debt service and capital projects.
- The Debt Service Fund cash balance increased by \$264 to \$3,729 as a result of more funds being transferred in than were required.
- The Capital Projects Fund cash balance decreased by \$817,191 to \$860,594 during the fiscal year. This decrease was due to the construction of First Street NE.

## **INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$67,929 to \$125,757 due primarily to increasing rates and reserves to fund a new water plant in the future.
- The Sewer Fund cash balance increased by \$10,568 to \$47,369 due primarily to a loan from the general fund for cash flow. The new fee structure will allow the loan to be repaid and the fund to be replenished.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 17, 2004 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

## DEBT ADMINISTRATION

At June 30, 2004, the City had \$3,557,000 in bonds and other long-term debt outstanding, compared to \$3,887,000 last year, as shown below.

<b>Outstanding Debt at Year End</b>	
	<b>Year Ended June 30, 2004</b>
General obligation bonds	\$ 3,210,000
Urban renewal tax increment financing revenue bonds	<u>347,000</u>
<b>Total</b>	<b><u>\$ 3,557,000</u></b>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,557,000 is below its constitutional debt limit of \$4,446,590 at June 30, 2004.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Belmond's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees that will be charged for various City activities. One of those factors is the economy. During the budget preparation, the consumer price index was listed at 2.1%. In addition, the employees were granted a 3% wage increase for the fiscal year beginning July 1, 2004. Since the budget was approved, gasoline and steel prices have increased.

The City Council implemented new rates to be charged for various functions of the City. Some of those rates had not been increased in more than ten years.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$3,294,410. Included in this amount are \$444,052 of fund transfers between different funds of the City. Net of transfers total amounts available for appropriation are \$2,850,358, an increase of 37.6% from the final 2004 budget. The majority of the increase is due to expected bond proceeds of approximately \$700,000 along with an increase in charges for services of approximately \$120,000. The City will use these increases in receipts to finance programs we currently offer, complete a street construction project and to defray a portion of the costs of providing water and sewer services. Budgeted disbursements (net of transfers between different funds of the City) are expected to decrease by \$215,881 from the 2004 budget. The decrease is due mainly to an expected reduction in street construction and cuts in spending for culture and recreation activities. The City has added no major new programs or initiatives to the 2005 budget.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lee Ann Waltzing, City Manager/Clerk, 112 - 2<sup>nd</sup> Avenue NE, P.O. Box 192, Belmond, Iowa 50421-0192.

## Basic Financial Statements

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Statement of Activities and Net Assets - Cash Basis

Year Ended June 30, 2004

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements), Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>							
Public safety .....	\$ 327,588	\$ 43,673	\$ 6,890	\$ 23,333	\$ (253,692)	\$ —	\$ (253,692)
Public works .....	170,322	5,298	213,216	—	48,192	—	48,192
Health and social services .....	6,050	—	—	—	(6,050)	—	(6,050)
Culture and recreation .....	220,778	38,725	26,400	15,500	(140,153)	—	(140,153)
Community and economic development .....	9,354	10,940	—	—	1,586	—	1,586
General government .....	161,260	14,433	—	—	(146,827)	—	(146,827)
Debt service .....	505,221	—	—	—	(505,221)	—	(505,221)
Capital projects .....	1,086,378	—	—	80,159	(1,006,219)	—	(1,006,219)
Nonprogram .....	9,054	—	—	—	(9,054)	—	(9,054)
<b>Total Governmental Activities .....</b>	<b><u>2,496,005</u></b>	<b><u>113,069</u></b>	<b><u>246,506</u></b>	<b><u>118,992</u></b>	<b><u>(2,017,438)</u></b>	<b><u>—</u></b>	<b><u>(2,017,438)</u></b>
<b>Business-Type Activities</b>							
Water .....	194,251	271,767	—	—	—	77,516	77,516
Sewer .....	157,132	244,984	—	—	—	87,852	87,852
Landfill .....	64,067	51,118	—	—	—	(12,949)	(12,949)
<b>Total Business-Type Activities .....</b>	<b><u>415,450</u></b>	<b><u>567,869</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>152,419</u></b>	<b><u>152,419</u></b>
<b>Total .....</b>	<b><u>\$ 2,911,455</u></b>	<b><u>\$ 680,938</u></b>	<b><u>\$ 246,506</u></b>	<b><u>\$ 118,992</u></b>	<b><u>(2,017,438)</u></b>	<b><u>152,419</u></b>	<b><u>(1,865,019)</u></b>
<b>General Receipts</b>							
Property Taxes Levied For							
General purposes .....					476,087	—	476,087
Tax increment financing .....					22,691	—	22,691
Debt service .....					190,616	—	190,616
Employee benefits .....					122,286	—	122,286
Emergency .....					14,332	—	14,332
Capital projects .....					1,992	—	1,992
Other City taxes .....					52,515	—	52,515
Local option sales tax .....					166,667	—	166,667
Grants and contributions not restricted to specific purpose .....					18,586	—	18,586
Unrestricted interest on investments .....					22,195	2,673	24,868
Miscellaneous .....					1,843	—	1,843
<b>Transfers .....</b>					<u>88,577</u>	<u>(88,577)</u>	<u>—</u>
<b>Total General Receipts and Transfers .....</b>					<b><u>1,178,387</u></b>	<b><u>(85,904)</u></b>	<b><u>1,092,483</u></b>
<b>Increase (Decrease) in Cash Basis Net Assets .....</b>					<b><u>(839,051)</u></b>	<b><u>66,515</u></b>	<b><u>(772,536)</u></b>
Cash Basis Net Assets - Beginning of Year .....					<u>2,368,971</u>	<u>153,168</u>	<u>2,522,139</u>
<b>Cash Basis Net Assets - End of Year .....</b>					<b><u>\$ 1,529,920</u></b>	<b><u>\$ 219,683</u></b>	<b><u>\$ 1,749,603</u></b>
<b>Cash Basis Net Assets</b>							
Restricted							
Streets .....					\$ 74,959	\$ —	\$ 74,959
Urban renewal purposes .....					4,230	—	4,230
Debt service .....					3,729	—	3,729
Other purposes .....					230,602	—	230,602
Unrestricted .....					<u>1,216,400</u>	<u>219,683</u>	<u>1,436,083</u>
<b>Total Cash Basis Net Assets .....</b>					<b><u>\$ 1,529,920</u></b>	<b><u>\$ 219,683</u></b>	<b><u>\$ 1,749,603</u></b>

See accompanying notes to the financial statements.

# Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds

Year Ended June 30, 2004

	General	Special Revenue Road Use Tax	Local Option Sales Tax	Debt Service	Capital Projects - Streets	Other Nonmajor Govern- mental Funds	Total
<b>Receipts</b>							
Property taxes.....	\$ 476,087	\$ —	\$ —	\$ 190,616	\$ —	\$ 136,618	\$ 803,321
T.I.F. collections.....	—	—	—	—	—	22,691	22,691
Other city taxes.....	37,515	—	166,667	8,660	—	6,340	219,182
Licenses and permits .....	4,898	—	—	—	—	—	4,898
Use of money and property	10,782	—	1,088	88	13,320	2,638	27,916
Intergovernmental .....	40,384	213,216	—	—	—	—	253,600
Charges for service .....	34,395	—	—	—	—	—	34,395
Special assessments.....	—	—	—	—	1,992	—	1,992
Miscellaneous .....	83,053	—	—	—	—	117,329	200,382
<b>Total Receipts .....</b>	<b>687,114</b>	<b>213,216</b>	<b>167,755</b>	<b>199,364</b>	<b>15,312</b>	<b>285,616</b>	<b>1,568,377</b>
<b>Disbursements</b>							
Operating							
Public safety .....	327,588	—	—	—	—	—	327,588
Public works.....	34,027	136,295	—	—	—	—	170,322
Health and social services	6,050	—	—	—	—	—	6,050
Culture and recreation....	220,778	—	—	—	—	—	220,778
Community and economic development	1,685	—	—	—	—	7,669	9,354
General government .....	161,260	—	—	—	—	—	161,260
Debt service.....	—	—	—	488,721	—	16,500	505,221
Capital projects .....	35,925	395	—	—	832,503	217,555	1,086,378
Nonprogram .....	—	—	—	—	—	9,054	9,054
<b>Total Disbursements</b>	<b>787,313</b>	<b>136,690</b>	<b>—</b>	<b>488,721</b>	<b>832,503</b>	<b>250,778</b>	<b>2,496,005</b>
<b>Receipts Over (Under)</b>							
<b>Disbursements .....</b>	<b>(100,199)</b>	<b>76,526</b>	<b>167,755</b>	<b>(289,357)</b>	<b>(817,191)</b>	<b>34,838</b>	<b>(927,628)</b>
<b>Other Financing Sources (Uses)</b>							
Operating transfers in .....	144,709	22,165	—	289,621	—	172,807	629,302
Operating transfers out.....	(112,604)	(65,603)	(199,000)	—	—	(163,518)	(540,725)
<b>Total Other Financing Sources (Uses) .....</b>	<b>32,105</b>	<b>(43,438)</b>	<b>(199,000)</b>	<b>289,621</b>	<b>—</b>	<b>9,289</b>	<b>88,577</b>
<b>Increase (Decrease) in Cash Balances .....</b>	<b>(68,094)</b>	<b>33,088</b>	<b>(31,245)</b>	<b>264</b>	<b>(817,191)</b>	<b>44,127</b>	<b>(839,051)</b>
Cash Balances - Beginning of Year.....	337,373	41,871	31,774	3,465	1,677,785	276,703	2,368,971
<b>Cash Balances - End of Year .....</b>	<b>\$ 269,279</b>	<b>\$ 74,959</b>	<b>\$ 529</b>	<b>\$ 3,729</b>	<b>\$ 860,594</b>	<b>\$ 320,830</b>	<b>\$ 1,529,920</b>
<b>Cash Basis Fund Balances</b>							
Reserved							
Debt service.....	\$ —	\$ —	\$ —	\$ 3,729	\$ —	\$ —	\$ 3,729
Unreserved							
General fund.....	269,279	—	—	—	—	—	269,279
Special revenue funds....	—	74,959	529	—	—	181,940	257,428
Capital projects fund .....	—	—	—	—	860,594	86,527	947,121
Permanent fund .....	—	—	—	—	—	52,363	52,363
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ 269,279</b>	<b>\$ 74,959</b>	<b>\$ 529</b>	<b>\$ 3,729</b>	<b>\$ 860,594</b>	<b>\$ 320,830</b>	<b>\$ 1,529,920</b>

See accompanying notes to financial statements.

# Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Proprietary Funds

Year Ended June 30, 2004

	Water	Sewer	Other Proprietary Funds	Total
<b>Operating Receipts</b>				
Use of money and property .....	\$ 1,643	\$ 698	\$ 332	\$ 2,673
Charges for service .....	254,451	244,771	51,021	550,243
Miscellaneous.....	16,681	213	732	17,626
<b>Total Operating Receipts .....</b>	<b><u>272,775</u></b>	<b><u>245,682</u></b>	<b><u>52,085</u></b>	<b><u>570,542</u></b>
<b>Operating Disbursements</b>				
Business-type activities .....	<b><u>194,251</u></b>	<b><u>157,132</u></b>	<b><u>64,067</u></b>	<b><u>415,450</u></b>
<b>Operating Receipts Over (Under)</b>				
<b>Operating Disbursements .....</b>	<b><u>78,524</u></b>	<b><u>88,550</u></b>	<b><u>(11,982)</u></b>	<b><u>155,092</u></b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in .....	70,000	45,018	—	115,018
Operating transfers out.....	(80,595)	(123,000)	—	(203,595)
<b>Total Other Financing Sources</b>				
<b>(Uses) .....</b>	<b><u>(10,595)</u></b>	<b><u>(77,982)</u></b>	<b><u>—</u></b>	<b><u>(88,577)</u></b>
<b>Increase (Decrease) in Cash Balances ..</b>	<b>67,929</b>	<b>10,568</b>	<b>(11,982)</b>	<b>66,515</b>
Cash Balances - Beginning of Year .....	<u>57,828</u>	<u>36,801</u>	<u>58,539</u>	<u>153,168</u>
<b>Cash Balances - End of Year .....</b>	<b><u>\$ 125,757</u></b>	<b><u>\$ 47,369</u></b>	<b><u>\$ 46,557</u></b>	<b><u>\$ 219,683</u></b>
<b>Cash Basis Fund Balances</b>				
<b>Unreserved .....</b>	<b><u>\$ 125,757</u></b>	<b><u>\$ 47,369</u></b>	<b><u>\$ 46,557</u></b>	<b><u>\$ 219,683</u></b>

See accompanying notes to the financial statements.

# Notes to the Financial Statements

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## **(1) Summary of Significant Accounting Policies**

The City of Belmond, Iowa, is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and council members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

### **Reporting Entity**

For financial reporting purposes, the City of Belmond has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Belmond has no component units which meet the Governmental Accounting Standards Board criteria.

### **Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods and services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Wright County Assessor's Conference Board, Wright County Communications Commission, Wright County Area Landfill Authority, MIDAS Council of Government and the Mid-Iowa Regional Housing Association.

### **Basis of Presentation**

#### ***Government-Wide Financial Statements***

The statement of activities and net assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.



## Notes to the Financial Statements

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### (1) Summary of Significant Accounting Policies

The statement of activities and net assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

#### ***Fund Financial Statements***

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

#### ***Special Revenue***

The *Road Use Tax Fund* is used to account for road construction and maintenance.

The *Local Option Sales Tax Fund* is used to account for local option sales tax collections and transfers.

The *Debt Service Fund* is utilized to account for the payment of interest and principal on the City's general long-term debt.

The *Capital Projects - Streets Fund* is used to account for the resources used in the construction of streets.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the operation and maintenance of the City's water system.

The *Sewer Fund* accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

#### **Basis of Accounting**

The City of Belmont maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the fund in accordance with accounting principles generally accepted in the United States of America.

# Notes to the Financial Statements

## (1) Summary of Significant Accounting Policies

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

### Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2004, the City exceeded the amounts budgeted in the debt service function.

## (2) Deposits and Investments

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities, certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council, prime eligible bankers acceptances, certain high-rated commercial paper, perfected repurchase agreements, certain registered open-end management investment companies, certain joint investment trusts and warrants or improvement certificates of a drainage district.

City investments are categorized to give an indication of the level of risk assumed by the City at year end. The City had no investments at June 30, 2004.

## (3) Bonded Indebtedness

Annual debt service requirements to maturity for general obligation bonds and urban renewal tax increment financing revenue bonds are as follows:

Year Ending 6-30	General Obligation Bonds		Urban Renewal Tax Increment Financing (T.I.F.) Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 285,000	\$ 128,850	\$ 137,000	\$ 17,350	\$ 422,000	\$ 146,200
2006	300,000	117,801	50,000	10,500	350,000	128,301
2007	280,000	105,862	50,000	8,000	330,000	113,862
2008	300,000	94,318	50,000	5,500	350,000	99,818
2009	310,000	81,671	60,000	3,000	370,000	84,671
2010-14	1,045,000	232,849	—	—	1,045,000	232,849
2015-19	690,000	78,294	—	—	690,000	78,294
	<u>\$ 3,210,000</u>	<u>\$ 839,645</u>	<u>\$ 347,000</u>	<u>\$ 44,350</u>	<u>\$ 3,557,000</u>	<u>\$ 883,995</u>

## Notes to the Financial Statements

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### (3) Bonded Indebtedness

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City.

### (4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.7% of their annual salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.9%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.2% and 9.29%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$34,286, \$34,525 and \$31,188, respectively, equal to the required contributions for each year.

### (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2004, primarily relating to the General Fund is as follows:

Type of Benefit	June 30, 2004
Vacation .....	<u>\$ 22,743</u>

This liability has been computed based on rates of pay as of June 30, 2004.

## Notes to the Financial Statements

### (6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue	
	Group Insurance	\$ 53,855
	Workers Compensation	16,842
	Employee Retirement	50,414
	Emergency	15,003
	Proprietary	
	Water	<u>8,595</u>
		<u>144,709</u>
Special Revenue	General	<u>22,165</u>
Road Use Tax		
Special Revenue	Special Revenue	
Self-Funded Health	Road Use Tax	2,000
	Group Insurance	10,904
	Proprietary	
	Water	<u>2,000</u>
		<u>14,904</u>
Debt Service	General	45,018
	Special Revenue	
	Road Use Tax	63,603
	Local Option Sales Tax	58,000
	Proprietary	
	Sewer	<u>123,000</u>
		<u>289,621</u>
Special Revenue	Special Revenue	
Tax Increment Financing Sinking	Tax Increment Financing	<u>16,500</u>
Capital Projects		
City Hall	General	<u>76</u>
Capital Projects	General	327
Fire Station	Special Revenue	
	Local Option Sales Tax	<u>141,000</u>
		<u>141,327</u>
Proprietary	Proprietary	
Water Reserve	Water	<u>70,000</u>
Proprietary	General	<u>45,018</u>
Sewer		
<b>Total</b>		<b><u>\$ 744,320</u></b>

## Notes to the Financial Statements

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### **(7) Related Entities**

The City had business transactions totaling \$4,532 between the City and City officials during the year ended June 30, 2004.

### **(8) Risk Management**

The City of Belmond is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(9) Wright County Area Landfill Authority**

The City is a member of the Wright County Area Landfill Authority (Authority) which provides for the collection and disposal of solid waste produced or generated within the municipalities that are members. On dissolution of the corporation, the net assets of the Authority will be prorated among municipalities. The Authority is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

The Authority is not accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debts; therefore, the City of Belmond has an ongoing financial responsibility.

During 1994, the Authority issued \$460,000 in notes and used the proceeds to finance the costs of acquiring and constructing works and facilities useful for the collection and disposal of solid waste, including costs incurred or to be funded by the Authority on behalf of the County and the other Municipalities, consisting of certain landfill closure costs, the acquisition of equipment and machinery, transfer station improvements and composting facilities and the refunding of outstanding indebtedness incurred by the Authority with respect thereto. The City's share of the debt totaled approximately \$45,368 at June 30, 2004. On May 1, 1995 the Rural Iowa Waste Management Association, of which the Authority is a member, issued \$830,000 of Solid Waste Revenue Bonds. The City's share of this debt totaled approximately \$43,814 at June 30, 2004.

The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2004, the City of Belmond paid the Authority \$64,000 for its share of the costs. Financial statements for the Authority can be obtained from the Wright County Area Landfill Authority.

## Notes to the Financial Statements

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### (10) Commitments

At June 30, 2004, the City had entered into contracts for street improvements in the approximate amounts below:

Project	Total Contract	Paid Through June 30, 2004	Approximate Remaining Commitment
2003 street improvements .....	\$737,000	\$677,000	\$60,000

### (11) Health Care Facility Revenue Bond

During 1997, the City issued a \$287,722 health care facility bond under the provisions of Chapter 419 of the Code of Iowa, of which \$223,713 was outstanding at June 30, 2004. The bond and related interest are payable from the rents paid by tenants of the borrower's facilities. The bond principal and interest do not constitute liabilities of the City.

### (12) Accounting Change

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement Number 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus*; Statement Number 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*; were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

**Required Supplementary Information**



# Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Year Ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Budgeted Amounts			Final to Total Actual Over (Under) Budget
				Net	Original	Final	
<b>Receipts</b>							
Property taxes.....	\$ 803,321	\$ —	\$ —	\$ 803,321	\$ 795,972	\$ 795,972	\$ 7,349
T.I.F. collections.....	22,691	—	—	22,691	15,000	18,800	3,891
Other city taxes.....	219,182	—	—	219,182	176,451	178,500	40,682
Licenses and permits ...	4,898	—	—	4,898	4,475	4,505	393
Use of money and property .....	27,916	2,673	—	30,589	52,800	24,770	5,819
Intergovernmental .....	253,600	—	—	253,600	270,508	244,098	9,502
Charges for service .....	34,395	550,243	—	584,638	606,657	597,400	(12,762)
Special assessments....	1,992	—	—	1,992	—	2,000	(8)
Miscellaneous .....	200,382	17,626	—	218,008	124,650	205,737	12,271
<b>Total Receipts .....</b>	<b>1,568,377</b>	<b>570,542</b>	<b>—</b>	<b>2,138,919</b>	<b>2,046,513</b>	<b>2,071,782</b>	<b>67,137</b>
<b>Disbursements</b>							
Public safety.....	327,588	—	—	327,588	351,674	345,084	(17,496)
Public works.....	170,322	—	—	170,322	202,636	189,486	(19,164)
Health and social services.....	6,050	—	—	6,050	6,500	6,050	—
Culture and recreation..	220,778	—	—	220,778	296,801	271,489	(50,711)
Community and economic development	9,354	—	—	9,354	62,520	62,585	(53,231)
General government.....	161,260	—	—	161,260	201,262	184,058	(22,798)
Debt service.....	505,221	—	—	505,221	544,308	503,721	1,500
Capital projects .....	1,086,378	—	—	1,086,378	1,217,000	1,431,623	(345,245)
Business-type activities	—	415,450	—	415,450	403,590	419,235	(3,785)
Nonprogram .....	9,054	—	9,054	—	—	—	—
<b>Total Disbursements</b>	<b>2,496,005</b>	<b>415,450</b>	<b>9,054</b>	<b>2,902,401</b>	<b>3,286,291</b>	<b>3,413,331</b>	<b>(510,930)</b>
<b>Receipts Over (Under) Disbursements.....</b>	<b>(927,628)</b>	<b>155,092</b>	<b>(9,054)</b>	<b>(763,482)</b>	<b>(1,239,778)</b>	<b>(1,341,549)</b>	<b>578,067</b>
<b>Other Financing Sources, Net .....</b>	<b>88,577</b>	<b>(88,577)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	<b>(839,051)</b>	<b>66,515</b>	<b>(9,054)</b>	<b>(763,482)</b>	<b>(1,239,778)</b>	<b>(1,341,549)</b>	<b>578,067</b>
Balances - Beginning of Year .....	2,368,971	153,168	50,713	2,471,426	2,418,637	2,522,139	(50,713)
<b>Balances - End of Year</b>	<b>\$ 1,529,920</b>	<b>\$ 219,683</b>	<b>\$ 41,659</b>	<b>\$ 1,707,944</b>	<b>\$ 1,178,859</b>	<b>\$ 1,180,590</b>	<b>\$ 527,354</b>

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except a permanent fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and nonprogram. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$127,040. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the debt service function.



**Other Supplementary Information**



Statement of Cash Receipts, Disbursements and Changes in Cash  
Balances - Nonmajor Governmental Funds

Year Ended June 30, 2004

	Special Revenue										Capital Projects			Permanent	
	Employee Benefits	Emer- gency	Urban Renewal Tax Increment	Com- munity Room	Housing Assistance	Tax Increment Financing Sinking Fund	Memorial Park Fund	Veterans Memorial Fund	Resti- tution Fund	Economic Develop- ment Fund	Fire Station	City Hall	Library	Cemetery Perpetual Care Fund	Total
<b>Receipts</b>															
Property taxes .....	\$ 122,286	\$ 14,332	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 136,618
T.I.F. collections .....	—	—	22,691	—	—	—	—	—	—	—	—	—	—	—	22,691
Other city taxes .....	5,672	668	—	—	—	—	—	—	—	—	—	—	—	—	6,340
Use of money and property .....	206	—	2	791	—	312	118	28	86	914	181	—	—	—	2,638
Miscellaneous.....	4,030	—	—	—	—	—	15,500	—	1,158	14,832	—	—	80,159	1,650	117,329
<b>Total Receipts.....</b>	<b>132,194</b>	<b>15,000</b>	<b>22,693</b>	<b>791</b>	<b>—</b>	<b>312</b>	<b>15,618</b>	<b>28</b>	<b>1,244</b>	<b>15,746</b>	<b>181</b>	<b>—</b>	<b>80,159</b>	<b>1,650</b>	<b>285,616</b>
<b>Disbursements</b>															
Operating															
Community and Economic															
Development.....	—	—	4,852	—	—	—	—	—	—	2,817	—	—	—	—	7,669
Capital Projects .....	—	—	—	—	—	—	2,385	—	—	—	142,330	—	72,840	—	217,555
Debt Service.....	—	—	—	—	—	16,500	—	—	—	—	—	—	—	—	16,500
Nonprogram .....	9,054	—	—	—	—	—	—	—	—	—	—	—	—	—	9,054
<b>Total Disbursements .....</b>	<b>9,054</b>	<b>—</b>	<b>4,852</b>	<b>—</b>	<b>—</b>	<b>16,500</b>	<b>2,385</b>	<b>—</b>	<b>—</b>	<b>2,817</b>	<b>142,330</b>	<b>—</b>	<b>72,840</b>	<b>—</b>	<b>250,778</b>
<b>Receipts Over Disbursements.....</b>	<b>123,140</b>	<b>15,000</b>	<b>17,841</b>	<b>791</b>	<b>—</b>	<b>(16,188)</b>	<b>13,233</b>	<b>28</b>	<b>1,244</b>	<b>12,929</b>	<b>(142,149)</b>	<b>—</b>	<b>7,319</b>	<b>1,650</b>	<b>34,838</b>
<b>Other Financing Sources (Uses)</b>															
Operating transfers in.....	14,904	—	—	—	—	16,500	—	—	—	—	141,327	76	—	—	172,807
Operating transfers out.....	(132,015)	(15,003)	(16,500)	—	—	—	—	—	—	—	—	—	—	—	(163,518)
<b>Total Other Financing Sources (Uses) .....</b>	<b>(117,111)</b>	<b>(15,003)</b>	<b>(16,500)</b>	<b>—</b>	<b>—</b>	<b>16,500</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>141,327</b>	<b>76</b>	<b>—</b>	<b>—</b>	<b>9,289</b>
<b>Increase (Decrease) in Cash</b>															
<b>Balances .....</b>	<b>6,029</b>	<b>(3)</b>	<b>1,341</b>	<b>791</b>	<b>—</b>	<b>312</b>	<b>13,233</b>	<b>28</b>	<b>1,244</b>	<b>12,929</b>	<b>(822)</b>	<b>76</b>	<b>7,319</b>	<b>1,650</b>	<b>44,127</b>
Cash Balances - Beginning of Year ...	26,103	165	2,889	—	26,085	94	3,445	2,550	7,100	77,605	73,313	(76)	6,717	50,713	276,703
<b>Cash Balances - End of Year .....</b>	<b>\$ 32,132</b>	<b>\$ 162</b>	<b>\$ 4,230</b>	<b>\$ 791</b>	<b>\$ 26,085</b>	<b>\$ 406</b>	<b>\$ 16,678</b>	<b>\$ 2,578</b>	<b>\$ 8,344</b>	<b>\$ 90,534</b>	<b>\$ 72,491</b>	<b>\$ —</b>	<b>\$ 14,036</b>	<b>\$ 52,363</b>	<b>\$ 320,830</b>
<b>Cash Basis Fund Balances</b>															
Unreserved															
Special revenue funds.....	\$ 32,132	\$ 162	\$ 4,230	\$ 791	\$ 26,085	\$ 406	\$ 16,678	\$ 2,578	\$ 8,344	\$ 90,534	\$ —	\$ —	\$ —	\$ —	\$ 181,940
Capital projects funds.....	—	—	—	—	—	—	—	—	—	—	72,491	—	14,036	—	86,527
Permanent fund.....	—	—	—	—	—	—	—	—	—	—	—	—	—	52,363	52,363
<b>Total Cash Basis Fund Balances ...</b>	<b>\$ 32,132</b>	<b>\$ 162</b>	<b>\$ 4,230</b>	<b>\$ 791</b>	<b>\$ 26,085</b>	<b>\$ 406</b>	<b>\$ 16,678</b>	<b>\$ 2,578</b>	<b>\$ 8,344</b>	<b>\$ 90,534</b>	<b>\$ 72,491</b>	<b>\$ —</b>	<b>\$ 14,036</b>	<b>\$ 52,363</b>	<b>\$ 320,830</b>

# Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds

Year Ended June 30, 2004

	Consumer Deposits	Landfill	Total
<b>Operating Receipts</b>			
Use of money and property .....	\$ —	\$ 332	\$ 332
Charges for service .....	—	51,021	51,021
Miscellaneous.....	635	97	732
<b>Total Operating Receipts.....</b>	<b><u>635</u></b>	<b><u>51,450</u></b>	<b><u>52,085</u></b>
<b>Operating Disbursements</b>			
Business-type activities .....	<b><u>67</u></b>	<b><u>64,000</u></b>	<b><u>64,067</u></b>
<b>Increase (Decrease) in Cash Balances .....</b>	<b>568</b>	<b>(12,550)</b>	<b>(11,982)</b>
Cash Balances - Beginning of Year .....	<u>22,681</u>	<u>35,858</u>	<u>58,539</u>
<b>Cash Balances - End of Year .....</b>	<b><u>\$ 23,249</u></b>	<b><u>\$ 23,308</u></b>	<b><u>\$ 46,557</u></b>
<b>Cash Basis Fund Balances</b>			
Unreserved .....	<b><u>\$ 23,249</u></b>	<b><u>\$ 23,308</u></b>	<b><u>\$ 46,557</u></b>

## Schedule of Indebtedness

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Year Ended June 30, 2004

	Amount Originally Issued	Date of Issue	Interest Rates
<b>General Obligation Bonds</b>			
Main street improvement.....	\$ 650,000	7-1-92	6.00%
Swimming pool renovation .....	300,000	9-1-94	5.40
Sewer treatment plant.....	1,300,000	12-1-95	4.70 - 5.50
City Hall .....	200,000	9-1-99	4.50
Fire station .....	400,000	4-15-02	4.50
Street improvement.....	1,800,000	3-20-03	1.35 - 4.55
<b>Total General Obligation Bonds .....</b>			
<b>Urban Renewal Tax Increment Financing (T.I.F.) Revenue Bonds</b>			
Dumond Estates.....	\$ 400,000	2-18-98	5.00%

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Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 85,000	\$ —	\$ 85,000	\$ —	\$ 5,100	\$ —
60,000	—	60,000	—	3,240	—
1,085,000	—	115,000	970,000	53,018	—
110,000	—	30,000	80,000	4,950	—
400,000	—	40,000	360,000	18,000	—
<u>1,800,000</u>	<u>—</u>	<u>—</u>	<u>1,800,000</u>	<u>74,413</u>	<u>—</u>
<b><u>\$ 3,540,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 330,000</u></b>	<b><u>\$ 3,210,000</u></b>	<b><u>\$ 158,721</u></b>	<b><u>\$ —</u></b>
<b><u>\$ 347,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 347,000</u></b>	<b><u>\$ 16,500</u></b>	<b><u>\$ —</u></b>

## Schedule of Bond and Note Maturities

At June 30, 2004

Year Ending June 30,	General Obligation Bonds			
	Sewer Treatment Plant		City Hall	
	Issued 12-1-95		Issued 9-1-99	
	Interest Rates	Amount	Interest Rates	Amount
2005 .....	4.80%	\$ 120,000	4.50%	\$ 40,000
2006 .....	4.90	125,000	4.50	40,000
2007 .....	5.05	130,000	—	—
2008 .....	5.20	140,000	—	—
2009 .....	5.30	145,000	—	—
2010 .....	5.40	150,000	—	—
2011 .....	5.50	160,000	—	—
2012 .....	—	—	—	—
2013 .....	—	—	—	—
2014 .....	—	—	—	—
2015 .....	—	—	—	—
2016 .....	—	—	—	—
2017 .....	—	—	—	—
2018 .....	—	—	—	—
2019 .....	—	—	—	—
<b>Totals.....</b>		<b><u>\$ 970,000</u></b>		<b><u>\$ 80,000</u></b>

General Obligation Bonds					Urban Renewal Tax Increment Financing (T.I.F.) Revenue Bond	
Fire Station Issued 4-15-02		Street Improvement Issued 3-20-03		Total	Dumond Estates Issued 2-18-98	
Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount
4.50%	\$ 45,000	1.35%	\$ 80,000	\$ 285,000	5.00%	\$ 137,000
4.50	45,000	1.65	90,000	300,000	5.00	50,000
4.50	50,000	2.05	100,000	280,000	5.00	50,000
4.50	50,000	2.45	110,000	300,000	5.00	50,000
4.50	55,000	2.85	110,000	310,000	5.00	60,000
4.50	55,000	3.05	115,000	320,000	—	—
4.50	60,000	3.35	120,000	340,000	—	—
—	—	3.55	125,000	125,000	—	—
—	—	3.75	130,000	130,000	—	—
—	—	3.95	130,000	130,000	—	—
—	—	4.05	130,000	130,000	—	—
—	—	4.15	130,000	130,000	—	—
—	—	4.30	140,000	140,000	—	—
—	—	4.45	140,000	140,000	—	—
—	—	4.55	150,000	150,000	—	—
	<u>\$ 360,000</u>		<u>\$ 1,800,000</u>	<u>\$ 3,210,000</u>		<u>\$ 347,000</u>

## Schedule of Receipts by Source and Disbursements by Function

### All Governmental Funds

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Years Ended June 30, 2001 Through 2004

	2004	2003	2002	2001
<b>Receipts</b>				
Property taxes .....	\$ 803,321	\$ 796,224	\$ 855,132	\$ 825,994
Tax increment financing .....	22,691	15,546	15,016	7,097
Other city taxes .....	219,182	205,314	151,030	71,303
Licenses and permits.....	4,898	4,528	5,997	6,764
Use of money and property .....	27,916	20,212	26,920	34,885
Intergovernmental.....	253,600	306,244	313,782	318,428
Charges for service .....	34,395	35,427	33,612	30,142
Special assessments.....	1,992	465	965	3,255
Miscellaneous.....	<u>200,382</u>	<u>818,850</u>	<u>174,742</u>	<u>103,898</u>
<b>Total Receipts .....</b>	<b><u>\$ 1,568,377</u></b>	<b><u>\$ 2,202,810</u></b>	<b><u>\$ 1,577,196</u></b>	<b><u>\$ 1,401,766</u></b>
<b>Disbursements</b>				
Public safety .....	\$ 327,588	\$ 354,663	\$ 308,419	\$ 316,425
Public works .....	170,322	199,377	211,692	218,414
Health and social services.....	6,050	6,000	6,000	6,105
Culture and recreation .....	220,778	271,263	246,023	224,422
Community and economic development .....	25,854	12,124	35,124	16,879
General government.....	161,260	158,339	152,053	148,679
Debt service .....	488,721	469,445	544,036	493,998
Capital projects.....	1,086,378	161,687	205,027	47,398
Nonprogram .....	<u>9,054</u>	<u>7,772</u>	<u>3,000</u>	<u>—</u>
<b>Total Disbursements .....</b>	<b><u>\$ 2,496,005</u></b>	<b><u>\$ 1,640,670</u></b>	<b><u>\$ 1,711,374</u></b>	<b><u>\$ 1,472,320</u></b>



## Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting

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To the Honorable Mayor and  
Members of the City Council  
City of Belmond, Iowa

We have audited the financial statements of the City of Belmond, Iowa, for the year ended June 30, 2004, and have issued our report thereon dated August 4, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The following comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved, except comment 04-C-9 (T.I.F. Urban Renewal Notes) which is repeated below.

- 04-C-1 Official Depositories** - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- 04-C-2 Certified Budget** - Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the Debt Service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered under an annual or continuing appropriation.

**Auditor's Recommendation** - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

**City's Response** - The budget will be amended in the future, if applicable.

**Auditor's Conclusion** - Response accepted.

**04-C-3 Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion.

**04-C-4 Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**04-C-5 Business Transactions** - Business transactions between the City and City officials or employees were as follows:

Name, Title and Business Connection	Transaction Description	Amount
Harlan Tulp, Council Member, owner of H & K Plumbing & Heating	Plumbing repair	\$3,623
Earl Kalkwarf, Council Member	Tree removal	662
Sid Swenson, Council Member, owner of Sid Swenson Signs	Signs	24
Bradley Bloemke, Council Member, owner of Bloemke Pharmacy	Film processing	222

In accordance with Chapter 362.5 of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since total transactions with Council Members Kalkwarf, Swenson and Bloemke were less than \$1,500 during the fiscal year. The transaction with Council Member Tulp does not represent a conflict of interest since it was competitively bid.

**04-C-6 Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

**04-C-7 Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not. Although minutes of Council proceedings were published, we noted several instances where the minutes were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa. We also noted the publication of wages contained the incorrect wage amount for one employee.

**Auditor's Recommendation** - The City should publish minutes as required. The City should also review a proof of the annual wage publication prior to printing or review it after published and republish if errors are present.

**City's Response** - We will publish minutes as required and review the wage publication to correct any errors.

**Auditor's Conclusion** - Response accepted.

**04-C-8 Revenue Notes** - The City appears to be in compliance with revenue note resolutions.

**04-C-9 T.I.F. Urban Renewal Notes**

**Prior Year Finding and Recommendation** - The sinking fund is not adequately funded and the City did not pay a portion of the principal that was due on the notes. The notes are not general obligations of the City, but have the first lien on revenue from the T.I.F. Urban Renewal Project. Some of the T.I.F. revenue was not used to fund the sinking fund or pay principal due. The lender has the first right to the funds, and T.I.F. revenue should not be used for other purposes until the sinking fund is adequately funded and payments are current. The City should adequately fund the sinking fund if possible and first use the revenue from the T.I.F. Urban Renewal Project to make the necessary transfers of principal and interest into these accounts before making other disbursements.

**Current Year Finding** - We found that the same conditions existed.

**Auditor's Recommendation** - We reiterate the prior year recommendation.

**City's Response** - The City will use future T.I.F. revenue to pay minor maintenance costs and the remaining revenue will be used to fund the proper sinking fund accounts.

**Auditor's Conclusion** - Response accepted.

**04-C-10 Deposits and Investments** - We noted no instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

**04-C-11 Economic Development** - All disbursements for economic development appeared to meet public purpose.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Prior year reportable condition 04-IC-1 has not been resolved and is repeated below.

**04-IC-1 Segregation of Duties**

**Prior Year Finding and Recommendation** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that incompatible duties are being performed by the same person. We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

**Current Year Finding** - We found that the same conditions existed.

**Auditor's Recommendation** - We reiterate the prior year recommendation.

**City's Response** - The City is aware of the lack of segregation of duties and has considered alternatives to improve this situation.

**Auditor's Conclusion** - Response accepted.

#### **04-IC-2 Proper Recording of Investment Income**

**Finding** - During our audit, we noted that investment income earned in May, 2004 on funds in a money market account were incorrectly recorded as an increase in the general ledger accounts for the checking account rather than an increase in the investment accounts. We were told that this was simply a timing issue, since in July, 2004 the funds were physically transferred between the accounts at the bank. In addition, we noted that investment income earned for the month of June, 2004 was credited to the City's accounts by the bank, but the City did not record it to the general ledger at June 30, 2004. The investment income was not recorded to the general ledger until July, 2004.

**Auditor's Recommendation** - The recording of investment income and transfers of cash between general ledger accounts should be supported by the physical existence of cash or actual transfers of cash between the bank accounts. In addition, investment income should be recorded to the general ledger in the same month as it is credited to the City's accounts by the bank.

**City's Response** - The interest amounts involved are minimal and have since been corrected. Normally, the interest is posted and the money is transferred to the proper accounts promptly.

**Auditor's Conclusion** - Response accepted.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition 04-IC-1 described above is a material weakness.

This report is intended for the information of the Mayor, City Council and management of the City of Belmond, Iowa, and is not intended to be and should not be used by anyone other than these specified parties.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
August 4, 2004